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Feds Push to Make All Public Financial Data Open.

At a recent public finance conference at Indiana University, I found myself commiserating with a researcher who was muddling through public pension data. Governments file much of the data he needs in annual reports in PDF format. We joked about how, in such predicaments, the “Ctrl F” keyboard shortcut to find specific information in a 150-page file quickly becomes your best friend.

But that only helps so much. “Nothing is standardized,” the researcher complained. Some PDFs, for example, aren’t readable and the Ctrl F trick doesn’t work. Or the information you are looking for may come in table form in some reports and paragraph form in others, which makes it difficult for computer programs that “read” PDF documents for data to get all the numbers right. In short, combing through these reports is extremely labor intensive and about as enjoyable as wearing wool on a hot day.

There are, however, some who want to make accessing public financial data easier. It’s a push that is coming primarily from the feds, and it’s rooted in a refrain heard often since the 2008 financial crisis: State and federal financial disclosures should be more like corporate ones. California Rep. Darrell Issa is the latest to echo this sentiment. Last month, he previewed legislation that would standardize how data is reported at the state and local level.

Issa’s proposal is called the MADOFF (Making All Data Open for Financial) Transparency Act and it builds off of last year’s Digital Accountability and Transparency Act, which calls for a standard way for federal agencies to report their financial data. The section of the act that would affect state and local governments requires the Municipal Securities Rulemaking Board to adopt a standard data format in which a municipality would have to submit their financial information. “So instead of submitting a PDF document,” says Hudson Hollister, “they submit a data file.”

Hollister is the executive director of the Data Transparency Coalition, a big proponent of standardizing government data reporting to further transparency. Such a change wouldn’t necessarily require any additional tech-savviness on the part of those preparing a government’s year-end reports, Hollister says. Much like TurboTax has done for the individual tax filer, he says, software companies are capable of developing similar products for municipal governments.

So what exactly would standardizing data do, other than making researchers’ lives a little easier? The corporate market provides a good example. As Public Sector Credit Solutions’ Marc Joffe recently noted in *Governing*, company financial reports have been available in textual form on the Security and Exchange Commission’s website for the last 20 years. This means that analysts at firms like Yahoo Finance, MarketWatch and Morningstar can easily pull the raw data and work with it to address whatever questions they need answered. So, Joffe writes, corporate investors can readily compare the financial statistics of a safe company like Apple to an insolvent one like Radio Shack. But municipal investors who might want to perform the same exercise with Dallas and Detroit are out of luck. “The vast majority of investors and analysts lack the patience and/or technical skills needed to extract the valuable needles of insight from this haystack of disclosure,” Joffe writes.

Joffe and Hollister say that making access to data easier could lower municipal borrowing costs and even reduce the market's vulnerability to negative headlines. Hollister envisions a whole industry of software built around standardizing data entry and reporting. "All of the information wrangling that state and local governments do today could be combined into a seamless process," he says. "That can dramatically reduce challenges for those governments while also reducing the cost of their bond financing."

All this stuff is great in theory, but in reality there's the practical matter that state and local governments are incredibly diverse in their size, operations and capabilities. That's why mandating financial reporting standards to governments can be difficult, says Lynnette Kelly, executive director of the Municipal Securities Rulemaking Board. Many wouldn't have a problem conforming; many more would. Usually the better route for these things, she says, is for governments to voluntarily adopt changes.

In fact, the Governmental Accounting Standards Board (GASB) launched an ongoing project in 2008 that explores how to improve government's electronic financial reporting. Among the project's tasks is to monitor how Extensible Business Reporting Language, a standardized digital language for business financial reporting, could be adapted for government reporting. GASB has not issued any standards related to the project but calls it a high priority issue.

Despite the slow progress, Kelly says, most governments are very much aware that there is a lot of room for improvement when it comes to reporting their financials. "I remember days of, should documents be in HTML code or PDF?" she says. "There have been conversations for a long time about data."

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